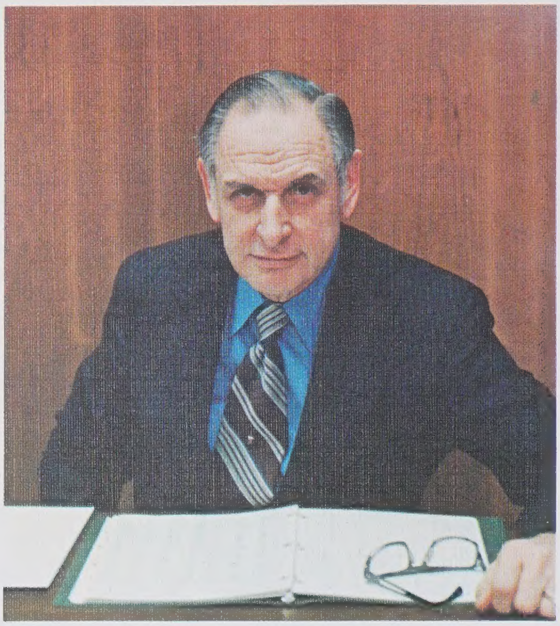
MAJESTIC WILEY
FIRST ANNUAL REPORT | 1974

TO THE SHAREHOLDERS



W. A. Rose
Chairman

We are pleased to present the first Annual Report of Majestic Wiley Contractors Limited, one of the largest fully integrated pipeline construction and service companies in North America.

Despite the relatively low level of pipeline construction in Canada, and the continuing impact of inflation on construction materials and labour costs, we are pleased to report that, during the eight months since your company was formed through amalgamation, it has earned revenues of $25,743,556, with an after-tax profit of $1,060,114 or 12.8 cents per share. No comparable figures are available for 1973.

Throughout 1974, very few major pipeline construction contracts were awarded in Canada. Your company, however, completed projects for Dome NGL Pipeline Ltd., for Sun Canadian Pipeline Company Limited and for TransCanada PipeLines Limited, all of which contributed to income.

Falcon Transport Ltd., our remote area support services company, is fully committed for the current exploration season, and has contracts of from one to four years in duration.

J. L. Cox & Son, Inc., your company's wholly-owned U.S. subsidiary, was awarded contracts for the stringing or stockpiling of approximately 1,325 miles of pipe, of which approximately 609 miles were completed in 1974.

Early in 1974, Majestic Construction and Wiley Oilfield Hauling Ltd. (now Majestic Wiley Contractors Limited), entered into a joint venture agreement with Perini Corporation and McKinney Drilling Company to form Perini Arctic Associates for the express purpose of tendering on sections of the Trans-Alaska Pipeline project. Prequalification material was assembled and presented to the owner, Alyeska Pipeline Service Company.

As a result, the joint venture, in which Majestic Wiley Contractors Limited has a 75% interest, was prequalified and invited to submit proposals on two separate sections of the pipeline. These proposals were submitted to Bechtel Corporation, as Construction Management Contractor for the owner, on April 15, 1974. On June 10, 1974, Alyeska Pipeline Service Company announced that the proposal submitted by Perini Arctic Associates for the construction

V. N. Osadchuk
President

of the 157 mile Section 2 of the pipeline had been accepted and a contract for approximately $80,000,000 was accordingly awarded. As the largest single contract in your company's history, this award heralds the beginning of a promising future for Majestic Wiley's services in Arctic regions of both the United States and Canada.

Majestic Wiley Contractors Limited has by no means committed all of its personnel and equipment resources to the Trans-Alaskan line. We have senior supervisory staff, their crews and the necessary equipment available for any major pipeline project which may come out for tender in Canada. Our involvement in Alaska and our interest in overseas locations notwithstanding, we have every intention of pursuing the Canadian market which holds forth excellent prospects for your company over the next decade.

Among the most welcome announcements recently are those to the effect that the Sarnia to Montreal 30-inch oil line will proceed, and that financing arrangements have now been completed which ensure the continuation of the Syncrude Tar Sands Project. With regard to the Sarnia to Montreal line, we anticipate that construction tenders will be called this year; we are presently engaged in stockpiling 382 miles of pipe to be used in this project, at various locations in Ontario and Quebec.

While we view with great concern the continuing inflation and the effect of governments' taxation policies on our resource customers, nevertheless, we are confident that the ways and means will be found to continue development of Canada's natural resources and that the youth, energy and experience of our directors and executives will continue to guarantee our success in the years ahead.

We wish to thank all of our companies' employees and our directors for their co-operation, dedication and assistance during the past eight months and look forward enthusiastically to our first full year of operations in 1975.

W. A. Rose
Chairman

V. N. Osadchuk
President


CAT

REVIEW OF THE YEAR

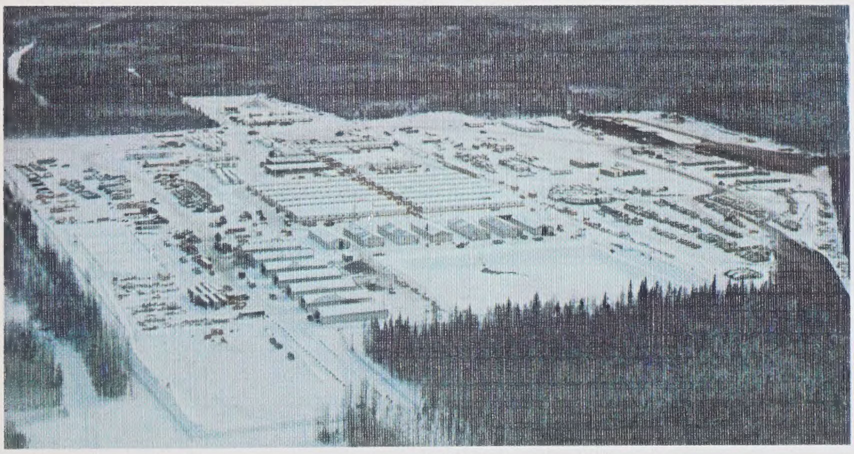
Majestic Wiley Contractors Limited and its principal wholly-owned subsidiaries operated very actively in 1974, even though a downturn in the economy and the unusually high rates of inflation persisted throughout the year.

Contracts were obtained in Canada for construction of 123 miles of pipeline, ranging from 42-inch to 12-inch pipe. In addition, contracts were obtained for the testing and upgrading of approximately 320 miles of 30-inch and 36-inch pipe.

In Alaska, Majestic Wiley is a 75% participant with Perini Corporation and McKinney Drilling Company in Perini Arctic Associates, a joint-venture for construction of Section 2 of the 48-inch, 789 mile Trans-Alaska pipeline. Your company's contract covers construction of 157 miles of the pipeline, running from Mile Post 145 at Sourdough to Mile Post 302 at the Salcha River, some 40 miles south of Fairbanks. The route of the pipeline encounters many topographic and climatic conditions. Temperatures will range from 60 degrees below zero in the winter to 80 degrees above in the summer. Special design accommodates all of these factors, with particular attention to environmental protection.

Since July of 1974, more than $21 million worth of equipment, nearly 100% owned by Majestic Wiley, has been mobilized in

Snow clearing and warehouse construction operations at Isabel Pass, Alaska camp.



Perini Arctic Associates camp at Delta Junction, Alaska, with 620 man capacity as shown, currently being expanded to 1,200 man capacity.

Typical spread of company owned construction and transportation equipment being used for remote area support services in the Canadian Arctic.

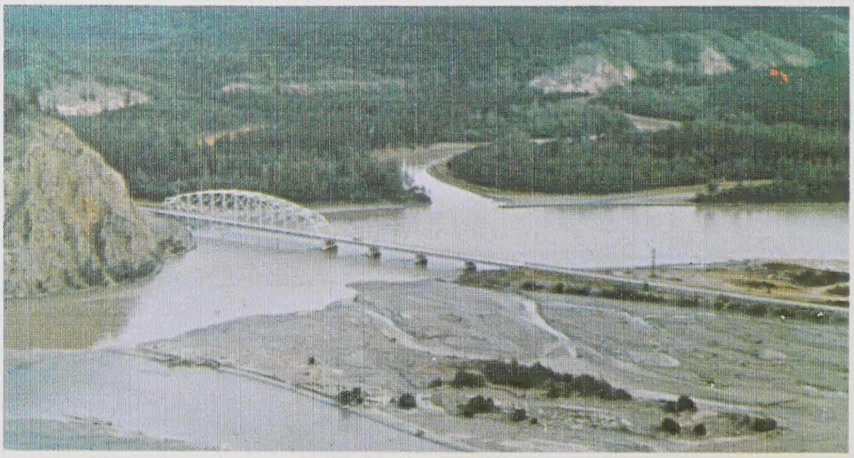
Stockpiling of material to be used in construction of work pad for Trans-Alaska pipeline Section 2.

Alaska by the joint venture. Senior administrative and supervisory personnel are located in Fairbanks and at site camps located near the northern and southern extremities of our section at Delta Junction and Isabel Pass.

The contract calls for completion in August of 1976. Project rescheduling is underway to accommodate delays encountered to date and to determine the extent of additional labour, equipment, camp and supervisory manpower which will be required to meet the scheduled completion date.

Falcon Transport Ltd., a wholly-owned subsidiary engaged in remote area support services, operated at near peak levels during 1974. Approximately 100 major pieces of equipment are involved in these support service activities, including six "desert trucks". Falcon is the only independent contractor in Canada owning as many of these large vehicles. Contracts in hand at present should enable this phase of operations to continue at 1974 levels. The outlook for 1975 and subsequent years is dependent upon the exploration activities of oil and gas companies operating in remote areas. An important influence will be the Canadian Federal Government's oil and gas taxation policies. We believe that the search for and the development of hydrocarbon reserves in northern regions must and will be continued if Canada is to maintain its self-sufficiency in fossil fuel energy.

Two of the company's all terrain vehicles with sleighs transporting drilling equipment and supplies for exploration activities in the Canadian Arctic.



Tanana River, Alaska, site of the longest 48" aerial span, which will be constructed by Perini Arctic Associates for the Trans-Alaska pipeline system.

J. L. Cox & Son, Inc., a wholly-owned subsidiary engaged in United States pipestringing activities, maintained a moderate volume of business during 1974, despite a relatively low level of pipeline construction. In total, contracts to haul and string 372 miles of 24-inch and 30-inch pipe, and to unload and stockpile 953 miles of 10-inch to 42-inch pipe were awarded to Cox during the year. However, one of the projects involved has been shut down because of heavy rains, and another suspended due to difficulties between regulatory authorities and the owning company. It is difficult to predict completion dates for these two contracts. The level of U.S. pipeline construction during 1975 appears to be pegged at a significantly higher figure, with approximately 8,400 miles of proposed construction. We expect this increase to have a beneficial effect on the operations of J. L. Cox & Son, Inc.

Work on the Dempster Highway project proceeded at a slower pace in 1974 than was expected. This project has experienced substantial cost overruns which, in the opinion of management, have been adequately provided for in the financial statements (see footnote 5 (a)). A claim has been filed with the owner to recover costs due to existing soil conditions substantially different from those represented in contract documents. Negotiations have commenced on this claim. The contract is scheduled for completion in the fall of 1975.

Lining up 60 foot joint of spiral welded 42" pipe in preparation for welding during company pipeline construction operations in Ontario.

Company crew installing 36" mainline valve during upgrading of pipeline facilities in Northern Ontario.

Pipeline hydrostatic testing by the company subsequent to sandblasting and upgrading operations.

Company crew laying pipe for project in Southern Ontario.

In joint venture with an experienced Alberta contractor, your company constructed approximately 11 miles of sewer line for an environmental control facility for the town of St. Albert, Alberta. The project is now substantially complete.

As announced earlier, we have now consolidated most of our companies' offices in Edmonton, Alberta. We are continuing to review various administrative, accounting and operating functions with a view to eliminating any duplication which may have resulted from the amalgamation.

MANAGEMENT

In July, 1974, the Board of Directors of Majestic Wiley Contractors Limited elected W. A. Rose, its present chairman, as chief executive officer and Victor N. Osadchuk, its executive vice-president, as president and chief operating officer. Mr. Rose was formerly president of Majestic Pipeline Contractors (Alberta) Limited and Mr. Osadchuk was formerly president of Wiley Oilfield Hauling Ltd., both prior to the amalgamation of May 1, 1974.

J. W. McCarthy has been elected executive vice-president and assistant general manager of the company. Mr. McCarthy was formerly general manager of another pipeline construction company, and has had many years of senior management and pipeline experience.

Bending pipe during construction operations in Ontario.

Construction operations on the Company's section of the Dempster Highway, Yukon Territory.


ARCTIC OCEAN
PRUDHOE BAY
CRAZY HORSE
FRANKLIN BLUFFS
HAPPY VALLEY
TOOLIK
GALBRAITH
ATIGUN
CHANDALAR
DIETRICH
COLDFOOT
PROSPECT
OLD MAN
FIVE MILE
YUKON RIVER
LIVENGOOD
TRANS-ALASKA PIPELINE
FAIRBANKS
SECTION OF THE
TRANS-ALASKA PIPELINE SYSTEM
ALASKA
DELTA JUNCTION
ISABEL PASS
GLENNALLEN
TONSINA
COOK INLET
ANCHORAGE
VALDEZ
SHEEP CREEK
ALASKA
YUKON TERRITORY

CONSOLIDATED BALANCE SHEET

As at December 31, 1974

Assets

CURRENT ASSETS:		
Cash, including certificates of deposit of $2,658,000		$ 2,837,588
Accounts and agreement receivable		4,860,680
Unbilled work (Note 1 (b))		635,162
Income taxes refundable		232,909
Prepaid expenses		435,368
Total Current Assets		9,001,707
PROPERTY AND EQUIPMENT, at cost (Note 1 (d)):		
Land	$ 18,675	
Buildings and improvements	547,660	
Construction equipment	36,859,113	
Other	186,057	
	37,611,505	
Less accumulated depreciation	15,647,342	
Net Property and Equipment		21,964,163
OPERATING AUTHORITIES AND INCORPORATION EXPENSES, at cost		193,833
		$31,159,703

Liabilities and Shareholders' Equity

CURRENT LIABILITIES:		
Bank indebtedness, unsecured		$ 300,000
Accounts payable		1,319,569
Accrued liabilities		907,817
Deferred contract revenue (Note 1 (b))		214,959
Accrual for loss on contract in progress (Note 5 (a))		1,296,940
Current portion of long-term debt (Note 2)		4,987,450
Total Current Liabilities		9,026,735
LONG-TERM DEBT (Note 2)		6,424,352
DEFERRED INCOME TAXES (Note 1 (e))		3,920,100
SHAREHOLDERS' EQUITY:		
Capital stock (Notes 1 (a) and 3)		
Authorized — 20,000,000 shares without nominal or par value		
Issued and fully paid — 8,261,200 shares	$ 7,800,944	
Contributed surplus (Note 1 (a))	3,082,208	
Retained earnings	905,364	
Total Shareholders' Equity		11,788,516
		$31,159,703

APPROVED BY THE BOARD:

[signature] Director

V. N. Oradchuk Director

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the Period from May 1, 1974 (Date of Amalgamation) to December 31, 1974

Revenues (Note 1 (b)):		
Construction operations		$22,729,684
Share of construction joint ventures		3,013,872
Total Revenues		25,743,556
Cost of Operations:		
Construction operations	$18,711,920	
Share of construction joint ventures	3,110,705	21,822,625
Gross Profit From Operations		3,920,931
General and Administrative Expenses		1,488,156
Income From Operations		2,432,775
Other Items:		
Other income and expense, net	291,435	
Interest expense (Note 6)	(384,435)	(93,000)
Income Before Income Taxes		2,339,775
Provision For Income Taxes (Note 1 (e))		1,279,661
Net Income For The Period		$ 1,060,114
Earnings Per Share:		
On weighted average number of shares outstanding (8,255,065 shares)		12.8¢

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Period from May 1, 1974 (Date of Amalgamation) to December 31, 1974

Balance, beginning of period	$ (154,750)
Net income for the period	1,060,114
Balance, end of period	$ 905,364

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

For the Period from May 1, 1974 (Date of Amalgamation) to December 31, 1974

Source of Working Capital:	
Net income for the period	$ 1,060,114
Depreciation	2,611,168
Deferred income taxes	1,285,600
(Gain) on disposal of property and equipment	(183,495)
Provided by operations	4,773,387
Disposal of property and equipment	490,357
Proceeds from stock options exercised	50,047
Proceeds of long-term debt, net of reductions	3,424,352
Working capital provided	8,738,143
Use of Working Capital:	
Additions to property and equipment	9,762,279
(Decrease) In Working Capital For The Period	(1,024,136)
Working Capital, beginning of period	999,108
Working Capital (Deficiency), end of period	($ 25,028)

The accompanying notes are an integral part of the consolidated financial statements.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
MAJESTIC WILEY CONTRACTORS LIMITED:

We have examined the consolidated balance sheet of Majestic Wiley Contractors Limited (an Alberta corporation) and its wholly-owned subsidiaries as of December 31, 1974, and the consolidated statements of income, retained earnings and changes in working capital for the period from May 1, 1974 (date of amalgamation), to December 31, 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Majestic Wiley Contractors Limited and its wholly-owned subsidiaries as of December 31, 1974, and the results of their operations and changes in their working capital for the period from May 1, 1974 (date of amalgamation), to December 31, 1974, in conformity with generally accepted accounting principles.

Calgary, Alberta
February 14, 1975

ARTHUR ANDERSEN & CO.
CHARTERED ACCOUNTANTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1974

1. SUMMARY OF ACCOUNTING PRINCIPLES:

(a) Principles of Consolidation

The consolidated financial statements are expressed in Canadian dollars and include the accounts of Majestic Wiley Contractors Limited and its wholly-owned subsidiaries Falcon Transport Ltd., Specialty Construction & Equipment Ltd., J. L. Cox & Son, Inc., Liard Construction Company Limited, Norm Keglovic Contracting Ltd., Klondike Contractors Limited and D. K. Industries Ltd.

All significant intercompany transactions and balances have been eliminated in consolidation.

Majestic Wiley Contractors Limited was formed on May 1, 1974, by the statutory amalgamation of Majestic Pipeline Contractors (Alberta) Limited (Majestic) and Wiley Oilfield Hauling Ltd., (Wiley) under the provisions of Section 156 of the Companies Act (Alberta).

For accounting purposes, the statutory amalgamation was treated as a purchase of the issued shares of Wiley by Majestic, a wholly-owned subsidiary of Perini Pacific Limited. The Board of Directors of Perini Pacific Limited have determined that the purchase price was equal to the fair value of the net assets acquired which was deemed to be the same as their net book value at the date of acquisition.

The book value of the net assets was determined as follows:

Wiley assets, April 30, 1974	$9,725,165
Wiley liabilities, April 30, 1974 . . .	4,616,896
Fair market of Wiley shares acquired . .	$5,108,269

The shares issued in the amalgamation were as follows:

	Shares	Percentage
Perini Pacific Limited	6,103,076	74
Former shareholders of Wiley	2,144,324	26
	8,247,400	100

(b) Method of Accounting for Income on Contracts

Profits from construction contracts are recognized on the percentage of completion basis. The percentage of completion is determined by relating the actual cost of work performed to date, to the current estimated total cost of the respective contracts. When the current estimated costs to complete indicate a loss, such losses are recognized immediately for accounting purposes. Income from claims is recorded in the periods such claims are resolved.

Unbilled work represents the excess of contract costs and profits recognized to date, on the percentage of completion accounting method, over billings to date on certain contracts. Deferred contract revenue represents the excess of billings to date, over the amount of contract costs and profit recognized to date, on the percentage of completion accounting method for the remaining contracts.

(c) Current Assets and Current Liabilities

Current assets and current liabilities on the balance sheet are based on a two year operating cycle.

(d) Depreciable Property and Equipment

Depreciation has been provided on the declining-balance method for approximately 74% of the depreciable property and on the straight-line method for the remaining 26%. The estimated lives used are as follows:

Buildings and Equipment	10 to 25 years
Construction Equipment	3 to 10 years
Other Equipment	10 years

(e) Income Taxes

The tax effects of all income and expense transactions are included in each period's statement of income regardless of the period the transactions are reported for tax purposes.

The deferred income taxes arise from the following:

(1) the difference between the depreciation claimed for tax purposes and the depreciation recorded in the accounts, and

(2) the difference between the provision for loss on contract in progress recorded in the accounts and the amount to be claimed for income tax purposes.

2. LONG-TERM DEBT:

	Amount	Rate of Interest
Bank term loan, repayable at $683,333 U.S. per quarter beginning April 1, 1975 (principal only)	$ 8,097,000	1¼% over U.S. prime rate
Demand bank loan, repayable at $5,500 per month (principal and interest)	61,741	2% over Canadian prime rate
Lease purchase contracts, repayable at $7,117 per month (principal and interest)	56,696	15%
Lease purchase contract, repayable at $4,909 per month (principal and interest)	196,365	13.32%
Convertible debenture, to affiliated company, due March 1, 1980	3,000,000	7%
	11,411,802	
Due within two years	4,987,450	
	$ 6,424,352	

The bank term loan is secured by a floating charge debenture on all of the company's assets. Repayment of the funds is guaranteed by the parent company and may be made in advance of the due date without an early payment penalty.

The lease purchase contracts are collateralized by the pledge of specific equipment (cost $487,251).

The 7% convertible debenture is convertible into 300,000 shares without nominal or par value at any time prior to March 1, 1980.

3. CAPITAL STOCK:

The stock options granted by Wiley that were outstanding on April 30, 1974, have been assumed by Majestic Wiley Contractors Limited. During the period May 1, 1974 to December 31, 1974, the Directors granted options to certain key employees to purchase 178,798 shares at $3.74 per share, 8,000 shares at $4.35 per share and 16,666 shares at $1.148 per share. During the same period, options were exercised to purchase 13,800 shares for a total purchase value of $50,047 and options previously granted to purchase 28,000 shares at $3.74 were revoked.

As of December 31, 1974, the following options are outstanding:

Date Option Granted	Number of Shares	Price Per Share	Expiry Date
April 21, 1971	14,910	$2.625	April 21, 1976
May 4, 1971	13,490	$3.325	May 4, 1976
May 1, 1974	138,998	$3.74	April 30, 1979
July 24, 1974	8,000	$4.35	July 23, 1979
December 9, 1974	16,666	$1.148	December 8, 1979
	192,064		

The foregoing options are exercisable during a period of five years from the date of grant at a rate of 20% of the total optioned shares per year either on a non-cumulative or partially cumulative basis.

As of December 31, 1974, the following shares of the company have been set aside:

For possible future stock options	44,136 shares
For possible conversion of 7% convertible debenture . . .	300,000 shares
	344,136 shares

4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

The aggregate direct remuneration paid to the Directors and Senior Officers for the eight months ended December 31, 1974 is as follows:

	Amount	Number
Directors who are not Senior Officers	$ 2,700	3
Directors who are Senior Officers	236,885	3
	239,585	6
Senior Officers who are not Directors	245,722	7
	$485,307	13

5. CONTINGENCIES:

(a) In connection with the contract for which a provision for future loss has been provided in the accounts, management, on the advice of legal counsel, is of the opinion that because of revised project requirements, the company is entitled to renegotiate the unit prices, or failing agreement on revised unit prices, to calculate the contract price on a "cost plus" basis. Management believes this would result in a substantial increase in the contract price.

The customer has not agreed with the position advanced by management. Negotiations are continuing.

If an agreement is not reached, a substantial claim will be filed against the customer. The amount of any additional revenue that may be received cannot be accurately determined at this time and, in accordance with the company's application of generally accepted accounting principles, as described in Note 1 (b), no portion of any additional revenue has been reflected in the accounts.

(b) The company has a pension plan which covers certain executive, professional, administrative and clerical employees, subject to certain specified service requirements. At December 31, 1974, the unfunded past service liability is approximately $418,613 which will be paid and charged to operations in equal amounts over the next 15 years. Effective May 1, 1974, certain of the employees of Wiley, who satisfied the service requirements of the plan, were admitted as members of the pension plan and the plan was amended so that the normal retirement age was reduced from age 65 to age 60. As a result, the unfunded past service liability was increased by approximately $244,000.

(c) The company has a deferred profit sharing plan and an incentive compensation plan for certain key employees which provide for payments to be made to or on behalf of such employees based on the profitability of the company. As at December 31, 1974, an amount of $224,100 has been accrued for payments under the terms of these plans for the period May 1, 1974, to December 31, 1974.

6. INTEREST ON LONG-TERM DEBT:

Interest on indebtedness incurred for an original term of over two years amounts to $265,736.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

J. M. Bankes, Vice President of The Royal Bank of Canada
V. N. Osadchuk, President of the Company
D. B. Perini, President of Perini Corporation
W. A. Rose, Chairman of the Board of the Company
R. H. Walker, Executive Vice President of Bongard, Leslie & Co. Ltd.

OFFICERS:

W. A. Rose, Chairman of the Board and Chief Executive Officer

V. N. Osadchuk, President and Chief Operating Officer

J. W. McCarthy, Executive Vice President and Assistant General Manager

L. B. Finlayson, Jr., Senior Vice President

J. Finley, Vice President and Treasurer

L. Wasylynchuk, Comptroller Majestic Division

G. S. Hagglund, Comptroller Wiley Division

J. K. Halladay, Secretary

TRANSFER AGENT AND REGISTRAR:

Montreal Trust Company, Calgary and Toronto

STOCK EXCHANGE LISTING:

The Toronto Stock Exchange (MWC)

AUDITORS:

Arthur Andersen & Co., Chartered Accountants

OFFICES:

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M5C 2N2
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(816) 633-7526

Falcon Transport Ltd.
10120 - 118th Street
Edmonton, Alberta
T5K 1Y4
(403) 482-5921

Perini Arctic Associates
2250 Cushman Street
Fairbanks, Alaska 99701
(907) 452-4481

ANNUAL GENERAL MEETING:

2:00 p.m. E.S.T., April 25, 1975, Saskatchewan Room, Royal York Hotel
100 Front Street West, Toronto, Ontario.

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